

Message Text

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ORIGIN TRSE-00

INFO OCT-01 EUR-12 EA-10 ISO-00 SP-02 USIA-06 AID-05
EB-08 NSC-05 SS-15 STR-04 OMB-01 CEA-01 CIAE-00
COME-00 FRB-03 INR-07 NSAE-00 XMB-02 OPIC-03
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TREASURY

DRAFTED BY TREASURY:MRYSS
APPROVED BY EB/IFD/OMA:JABWINDER
TREAS:DKLOCK
TREAS:MSEARING
EXIMBANK:DCHENEY
EB/IFD/ODF:TPARKER
EUR/RPE:ECASEY
EUR/WE:EBIEGEL

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R 200020Z AUG 77
FM SECSTATE WASHDC
TO AMEMBASSY ROME
INFO AMEMBASSY LONDON
AMEMBASSY MOSCOW
AMEMBASSY PARIS
AMEMBASSY TOKYO

C O N F I D E N T I A L STATE 198287

E.O. 11652: GDS

TAGS: EFIN, UR, IT

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SUBJECT: ITALO SOVIET TALKS ON CREDIT

REF: (A) ROME 12779, (B) MOSCOW 11113, (C) TOKYO 11993,
(D) BONN 12929, (E) STATE 193815, & (F) ROME 8830

1. SUMMARY. EMBASSY REQUESTED PRESS GOI AT POLICY LEVEL
NOT TO BREACH EXPORT CREDIT CONSENSUS TERMS IN NEGOTIATING
NEW CREDIT AGREEMENT WITH USSR. IF ITALY DOES NOT STAND
FIRM IN NEGOTIATIONS WITH USSR, WE EXPECT FRANCE AND UK

WOULD FOLLOW PATTERN AND ITALY WOULD, AT BEST, OBTAIN ONLY MOMENTARY ADVANTAGE. USG DOES NOT PROVIDE CREDIT TO USSR BUT WOULD BE AFFECTED BY ITALIAN ACTION SINCE GENERAL DEROGATIONS FROM CONSENSUS FOR USSR WOULD UNDERMINE THAT ARRANGEMENT AND SERIOUSLY COMPROMISE POSSIBILITY OF FURTHER BROADENING AND STRENGTHENING PRESENT CONSENSUS--AN EFFORT WHICH WAS ENDORSED BOTH AT THE LONDON SUMMIT IN MAY AND AT THE JUNE OECD MINISTERIAL.

2. GERMAN-USSR CREDIT AGREEMENT DOES NOT BREACH CONSENSUS BECAUSE IT TAKES FORM OF A GUARANTEE BY FRG. INTEREST RATE PROVISION OF CONSENSUS GUIDELINES APPLIES TO DIRECT LOANS BY GOVERNMENT AGENCIES ONLY. WE BELIEVE THIS IS A SHORTCOMING IN CONSENSUS AND WE WILL SEEK TO DEAL WITH THIS IN FRAMEWORK OF THE INTERNATIONAL ARRANGEMENT ON OFFICIAL EXPORT CREDITS WHICH WE PLAN TO NEGOTIATE THIS FALL FOR IMPLEMENTATION BEGINNING JANUARY 1, 1978. REFTEL D NOTES THAT REFINANCING RATE IS 9-9.5 PERCENT WHICH IS WELL ABOVE CONSENSUS MINIMUM.

3. JAPAN-USSR CREDIT AGREEMENT CONSISTENCY WITH CONSENSUS IS LESS CLEAR THAN GERMAN CASE. WE ARE SEEKING SPECIFICS FROM GOJ. WHETHER OR NOT JAPANESE HAVE BREACHED LETTER OR SPIRIT OF CONSENSUS, EMBASSY SHOULD STRONGLY URGE GOI TO CONFIDENTIAL

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OBSERVE CONSENSUS MINIMUMS IN NEGOTIATING NEW CREDIT AGREEMENT WITH USSR ON BASIS ITALIAN DEROGATION LIKELY SNOWBALL INTO SERIES OF DEROGATIONS WHICH WOULD NOT ONLY UNDERMINE CREDIBILITY OF PRESENT CONSENSUS BUT MAKE IT IMPOSSIBLE TO NEGOTIATE NEW INTERNATIONAL ARRANGEMENT ON EXPORT CREDITS WHICH STRENGTHENS AND BROADENS CONSENSUS. IT SHOULD BE POINTED OUT TO ITALIANS THAT ISSUE IS MORE FUNDAMENTAL THAN '0.2 PERCENTAGE POINTS OF INTEREST' REFERRED TO IN PARA 2 OF REFTEL A. ACTION TO REDUCE COUNTERPRODUCTIVE COMPETITION AMONG OFFICIAL EXPORT CREDIT AGENCIES IS INTEGRAL ASPECT OF INTERNATIONAL EFFORT TO MAINTAIN AND PROMOTE LIBERAL TRADE POLICIES.

4. REFUSAL BY UK AND FRANCE TO DATE TO ACCEDE TO USSR DEMAND FOR CREDIT TERMS WHICH BREACH CONSENSUS MAY BE REASON FOR USSR PRESSURE ON ITALY, KNOWING THAT ONCE CREDIT LINE BROKEN, OTHER EUROPEAN COUNTRIES WOULD FALL INTO LINE. (PARAGRAPH 1 REFTEL F) WE WILL USE OPPORTUNITY OF XCSS BUREAU MEETING SEPT 8 TO RAISE ISSUE OF APPARENT USSR CREDIT STONEWALLING, WITH A VIEW TOWARD STRENGTHENING GENERAL RESOLVE TO ADHERE TO CONSENSUS MINIMUM. VANCE

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Message Attributes

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Copy: SINGLE
Sent Date: 20-Aug-1977 12:00:00 am
Decaption Date: 01-Jan-1960 12:00:00 am
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Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 22 May 2009
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
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Drafter: MRYSS
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Executive Order: GS
Errors: N/A
Expiration:
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From: STATE
Handling Restrictions: n/a
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